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Mexico

Citrus

Annual Report

2004

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Report Highlights:

Fresh orange and grapefruit production is expected to increase for MY 2004/05, due to higher yields and good weather conditions. Lime production is forecast to decrease slightly, due to out of season rainfall. Fresh concentrate orange juice is forecast to increase sharply for MY 2005, due to the larger fresh orange crop and expectations of better international prices.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Section I. Situation and Outlook

The fresh orange production forecast for MY 2004/05 is 4.4 MMT, a 10-percent increase from MY 2003/04 production, due to good weather conditions. Higher exports of fresh oranges are forecast, due to better demand from the international market. Frozen concentrate orange juice (FCOJ) production for MY 2005 is also forecast to increase because of more available fresh oranges. MY 2005 FCOJ exports are also forecast to increase, due to the larger fresh orange crop and expectations of better international prices.

Total production for Key Limes and Persian Limes for MY 2004/05 is forecast at 1.73 MMT, a 5-percent decrease compared to MY 2003/04, due to out of season rainfall and humidity in Veracruz. Exports are forecast to be lower for MY 2004/05, due to expectations that export quality limes have been adversely affected by weather conditions. Grapefruit production for MY 2004/05 is forecast to increase to 310,000, due to more trees coming into production and higher yields. Grapefruit exports for MY 2004/05 are forecast to remain at the MY 2003/04 level.

Section II. Statistical Tables

Fresh Orange Table

Country	Mexico					
Commodity	Oranges, Fresh			(HECTARES) (1000 TREES) (1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2002		11/2003		11/2004
Area Planted	355387	355387	356000	349600	0	354000
Area Harvested	329942	329942	332000	334000	0	336000
Bearing Trees	66648	66648	67064	67468	0	67872
Non-Bearing Trees	5089	5089	4848	3151	0	3636
TOTAL No. Of Trees	71737	71737	71912	70619	0	71508
Production	3734	3734	4000	4000	0	4400
Imports	39	39	40	18	0	18
TOTAL SUPPLY	3773	3773	4040	4018	0	4418
Exports	7	7	10	10	0	20
Fresh Dom. Consumption	3646	3686	3860	3913	0	3998
Processing	120	80	170	95	0	400
TOTAL DISTRIBUTION	3773	3773	4040	4018	0	4418

Fresh Citrus, Other Table

Country	Mexico					
Commodity	Citrus, Other, Fresh			(HECTARES) (1000 TREES) (1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2002		11/2003		11/2004
Area Planted	141000	141084	142000	145430	0	146500
Area Harvested	126000	130053	127500	134000	0	134100
Bearing Trees	24570	25360	24862	26130	0	26150
Non-Bearing Trees	2925	2151	2827	2228	0	2418
TOTAL No. Of Trees	27495	27511	27689	28358	0	28568
Production	1700	1705	1800	1820	0	1730
Imports	1	1	1	1	0	1
TOTAL SUPPLY	1701	1706	1801	1821	0	1731
Exports	330	330	335	355	0	330
Fresh Dom. Consumption	1111	1086	1196	1160	0	1121
Processing	260	290	270	306	0	280
TOTAL DISTRIBUTION	1701	1706	1801	1821	0	1731

Fresh Grapefruit Table

Country	Mexico					
Commodity	Grapefruit, Fresh			(HECTARES)(1000 TREES)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2002		11/2003		11/2004
Area Planted	17000	17039	17500	18000	0	18400
Area Harvested	14900	14088	15100	14400	0	14800
Bearing Trees	2801	2648	2838	2707	0	2782
Non-Bearing Trees	394	554	451	676	0	676
TOTAL No. Of Trees	3195	3202	3289	3383	0	3458
Production	310	281	312	288	0	310
Imports	11	12	8	8	0	8
TOTAL SUPPLY	321	293	320	296	0	318
Exports	4	7	5	7	0	7
Fresh Dom. Consumption	283	247	280	241	0	261
Processing	34	39	35	48	0	50
TOTAL DISTRIBUTION	321	293	320	296	0	318

Frozen Concentrate Orange Juice

Country	Mexico			65 Degrees Brix		
Commodity	Orange Juice				(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2003		01/2004		01/2005	
Deliv. To Processors	120000	80000	170000	95000	0	400000
Beginning Stocks	3000	1000	3000	1000	3000	1000
Production	12000	8000	17000	9500	0	40000
Imports	600	200	600	165	0	165
TOTAL SUPPLY	15600	9200	20600	10665	3000	41165
Exports	8600	4000	13600	5200	0	33365
Domestic Consumption	4000	4200	4000	4465	0	4800
Ending Stocks	3000	1000	3000	1000	0	3000
TOTAL DISTRIBUTION	15600	9200	20600	10665	0	41165

Key Lime Wholesale Prices

KEY LIME WHOLESALE PRICES (PESOS/KG)			
Month	2003	2004	Change %
January	2.66	4.07	53.00
February	6.21	2.55	(58.93)
March	8.39	1.91	(77.23)
April	3.19	1.87	(41.37)
May	1.65	1.77	7.27
June	1.75	1.92	9.71
July	1.90	1.86	(2.10)
August	2.10	2.42	15.23
September	2.30	2.33	1.30
October	2.19	2.11*	(3.65)
November	2.16	N/A	N/A
December	3.59	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2003 US\$1.00 = \$ 10.79 PESOS
EXCHANGE RATE OCT. 6, 2004 US\$1.00 = \$ 11.35 PESOS
***As 3er Week of October 2004**

Persian Lime Wholesale Prices

PERSIAN LIME WHOLESALE PRICES (PESOS/KG)			
Month	2003	2004	Change %
January	1.89	2.74	44.97
February	4.38	2.50	(42.92)
March	6.79	3.21	(52.72)
April	8.51	6.00	(29.49)
May	9.70	3.07	(68.35)
June	3.69	1.85	(49.86)
July	1.67	1.51	(9.58)
August	1.69	1.71	1.18
September	2.02	1.57	(22.27)
October	1.86	1.74*	(6.45)
November	1.48	N/A	N/A
December	1.79	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2003 US\$1.00 = \$ 10.79 PESOS
EXCHANGE RATE OCT. 6, 2004 US\$1.00 = \$ 11.35 PESOS
***As 3er Week of October 2004**

Grapefruit Wholesale Prices

GRAPEFRUIT WHOLESALE PRICES BY MAIN PRODUCER STATES						
MONTH	MICHOCAN		TAMAULIPAS		VERACRUZ	
	2003	2004	2003	2004	2003	2004
JANUARY					1.68	1.71
FEBRUARY					2.69	1.66
MARCH					3.53	1.74
APRIL					3.03	1.89
MAY		2.65		3.30	2.38	2.50
JUNE	3.57	2.80	3.46	3.40	3.46	2.90
JULY	3.54	3.31		3.20	3.75	3.08
AUGUST	3.50	3.45			3.86	3.80
SEPTEMBER	3.50	2.85			2.93	2.88
OCTOBER					2.27	2.86
NOVEMBER					2.31	
DECEMBER					2.16	

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2003 US\$1.00 = \$ 10.79 PESOS
EXCHANGE RATE OCT. 6, 2004 US\$1.00 = \$ 11.35 PESOS

Wholesale Orange Prices

WHOLESALE ORANGE PRICES (PESOS/KG)			
Month	2003	2004	Change %
January	1.62	1.63	0.61
February	1.74	1.63	(6.32)
March	2.23	1.78	(20.17)
April	2.61	1.93	(26.05)
May	3.05	2.08	(31.80)
June	4.64	2.23	(51.93)
July	4.46	2.33	(47.75)
August	3.78	3.12	(17.46)
September	3.01	3.07	1.99
October	2.39	2.15	(10.04)
November	1.84	N/A	N/A
December	1.81	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2003 US\$1.00 = \$ 10.79 PESOS
EXCHANGE RATE OCT 6, 2004 US\$1.00 = \$ 11.35 PESOS

Section III. Narrative on Supply & Demand, Policy & Marketing

FRESH ORANGES

PRODUCTION

Although there is not an official SAGARPA forecast for MY 2004/05 (November-October) fresh orange production, sources believe production will be 4.4 MMT, a 10-percent increase from MY 2003/04 production, due to good weather conditions. Orange trees had abundant first blooms, resulting in higher volumes of Valencia oranges that will be harvested from December to early April approximately. Second blooms were not as abundant and the May crop might be lower compared to the 2003 crop. The third bloom is not over yet and could be similar to the one in August 2003. Area planted for oranges is forecast at 354,000 hectares for MY 2004/05, a very slight increase compared to MY 2003/04 area planted. Producers do not expect an increase in the expansion of groves, due to high production costs.

The My 2003/04 orange production estimate remains at 4.0 MMT, despite growers' estimation that production will be lower as a result of adverse weather conditions. Area planted for MY 2003/04 was revised downward as some groves were abandoned due to high costs of production and swings in fresh orange prices. My 2003/04 area harvested was revised upward as more trees came into production.

Production, area planted and harvested for MY 2002/03 remain unchanged.

The MY 2004/05 forecast for oranges destined for processing is approximately 400,000 MT, a sharp increase compared to MY 2003/04, due to expected larger supplies of fresh oranges at affordable prices. It is important to note that this amount of oranges destined for processing was a normal level prior to MY 2002 – a period when there was good international demand for FCOJ. International prices for frozen concentrate orange juice (FCOJ) have been low for the past three years, which has limited production in Mexico. The estimate for oranges destined for processing for MY 2002/03 and 2003/04 was revised downward, based on industry information, as there were fewer oranges available for the industry and international prices for FCOJ were low.

Countrywide orange yields for MY 2004/05 are forecast at 13 MT/ha, due to good weather conditions. Countrywide orange yields for MY 2003/04 are expected at 11.9 MT/ha. Orange yields differ widely depending on the production area. Usually, Veracruz yields range from 10 to 20 MT/ha. In Nuevo Leon, yields range from 12 to 15 MT/ha. In San Luis Potosi, yields range from 7 to 13 MT/ha. This variance in yields is caused by many factors such as weather, frequency of inputs used such as fertilizers and pesticides, tree density and terrain. Some areas in Nuevo Leon were affected by black fruit flies, due to excessive rainfall in April 2004, which somewhat lowered the quality of oranges from that region for MY 2003/04.

Production costs vary among the citrus regions and between producers. The average cost of production in some areas in Veracruz for a traditional grove with little intensive cultivation is approximately 4,500 pesos/Ha (US\$391/Ha), while the average cost for a more intensively-farmed grove in Veracruz is about 8,500 pesos/Ha (US\$739) or higher. Costs in Nuevo Leon range from 8,500 to 12,500 pesos/Ha (US\$739.00 to \$1,087.00/Ha) and are higher than those in Veracruz, due mainly to irrigation costs, but also to fertilization and pest control costs. These last two account for approximately 40 percent of total production costs in Nuevo Leon. For example, urea prices increased 84 percent from about \$1.90 pesos/Kg (US\$ 0.17/kg) in 2003 to \$3.50 pesos/kg (US\$ 0.29/Kg) in 2004. According to growers, a further increase in some fertilizer prices is expected in MY 2004/05, due to the increase in

world oil prices. Average field worker wages are about 70 pesos (US\$6.08) per day, but sometimes producers have to pay 90 pesos (US\$7.82) per day or more to attract enough workers.

Farm gate prices in Northern Veracruz began in October 2004 at approximately \$1,100 pesos/MT (US\$95.65/MT) for the early varieties, however, prices are expected to be lower for the Valencia oranges that are harvested in December. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US\$217.33 to \$260.86 per 10 MT) for one-day delivery.

CONSUMPTION

The fresh orange consumption forecast for MY 2004/05 is 3.9 MMT, a 2-percent increase, due to larger supplies at affordable prices. Final domestic consumption estimates, however, will depend on the final volume purchased by the processing industry. The fresh orange consumption estimates for MY 2002/03 and 2003/04 were revised upward as the industry did not process the expected volume of oranges for these marketing years, due to low international prices for FCOJ. According to producers, market orange prices for MY 2004/05 will follow a similar pattern as in MY 2003/04, with lower prices during the first four months of the season, but which will increase when the first bloom crop is over and the second bloom crop begins in May. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

TRADE

Mexican orange exports for MY 2004/05 are forecast at 20,000 MT, due to an expected increase in international demand, as the Florida orange crop was somewhat damaged by the 2004 hurricanes. Most of the oranges exported to the United States are from Sonora, a state which produces very good, high quality oranges, but Nuevo Leon is also increasing its orange exports to both the United States and Canada. The export estimates for MY 2002/03 and 2003/04 remain unchanged.

Citrus producers indicated that they are pushing for USDA recognition of northern Tamaulipas and Nuevo Leon as a low prevalence fruit-fly area, as this will enable orange exports from those area-free regions to have market access to certain U.S. states. Currently, Nuevo Leon exports treated citrus to the U.S. under a pre-clearance program.

Mexico will have more opportunities to expand its fresh orange exports to Japan under the new trade agreement signed on October 2004. Under this agreement, Mexico will have a duty-free annual quota of 10 MT of oranges during the first two years (i.e., 2005-2006). During MY 2002/03, Mexico exported about 6 MT to Japan.

Mexican orange imports for MY 2004/05 are forecast to remain at 18,000 MT, due to large domestic orange supplies at relatively affordable prices offset by expectations of increased export demand because of some damage to the Florida citrus crop. MY 2003/04 imports were revised downward as demand was not as strong and domestic orange prices were relatively affordable and less than U.S. orange prices. Imports for MY 2002/03 remain unchanged.

MARKETING

U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Because of the excellent quality, U.S. oranges command a price four to five times higher than Mexican prices. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price. Due to phytosanitary restrictions, only citrus fruit coming from California, Texas and Arizona can be exported to Mexico.

FRESH CITRUS, OTHER

PRODUCTION

This section covers two citrus fruits that are of economic significance to Mexico: Key Limes and Persian Limes. Mexican Key Limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero and Oaxaca. Most Persian Limes are grown in a micro-climate called "*La Huasteca*" that includes portions of the states of Veracruz, San Luis Potosi, Tamaulipas, and Hidalgo. However, Oaxaca, Yucatan, and Tabasco, states in the southern part of Mexico, also produce Persian Limes but on a smaller scale.

Although there are no official estimates, total MY 2004/05 production for both limes is forecast at 1.73 MMT, 5 percent lower than MY 2003/04 production estimates, due to out-of-season rainfall and higher humidity during fruit development in some areas of Colima and Veracruz. Other producing areas had good weather conditions. MY 2003/04 production was revised slightly upward as there was more area harvested than expected. Production for MY 2002/03 was revised slightly upward based on official estimates.

Area planted to both Persian and Key Limes has increased in Mexico, due to the fact that limes command good prices on the international market and they generate few phytosanitary concerns. Because of this, Persian Lime planted area in Veracruz grew at a faster rate, with some producers replanting orange and grapefruit groves with Persian Limes in order to take advantage of the good international demand and higher prices. Domestic demand for Key Limes also increased. Approximately 30 percent of total area planted is Persian Limes and 70 percent is Key Limes. Because Michoacan has an excellent winter window (December – February), which allows its Key Limes to hit the domestic market first, planted area is slowly expanding in this state. According to producers, however, the domestic market is almost saturated with Key Limes and therefore a substantial increase in Michoacan's area planted could lower prices for Key Limes.

Although area planted to both lime varieties has increased in the past two years, the increase in area planted for MY 2004/05 is forecast at 146,500 hectares, a less than one-percent increase, due to concerns that the market may becoming saturated. Area planted for MY 2003/04 was revised upward as the states of Colima, Michoacan and Veracruz increased area planted. Area harvested was also revised upward as more trees came into production in the states of Veracruz, Michoacan and Oaxaca. Area planted and harvested for MY 2002/03 was updated based on official final estimates.

Nearly 20 percent of the Persian Lime groves in Veracruz use micro-jet irrigation or other irrigation systems and produce all year round. Most of the irrigated Key Lime groves are in the states of Michoacan and Colima and are able to produce all year round. In contrast, almost all the planted area for Key Lime in Guerrero and Oaxaca is non-irrigated. In Colima,

over half of the Key Lime groves have coconut palm trees planted in between Key Lime trees in order to increase producer revenue.

The Persian Lime trade tends to be dominated by large producers whose efficiencies of scale reduce production costs. Persian Lime production costs average from 8,500 pesos/Ha to 10,000 pesos/Ha (US\$739.13 to \$869.56/Ha) or more, due to higher prices for imported inputs such as fertilizers, pesticides and other agrochemical products. Well-tended areas can have production costs of \$14,000 pesos/Ha (US\$1,223.77/Ha). Transportation costs from Veracruz to Mexico City are usually 3,500 to 4,000 pesos/truck (US\$304.34 to \$347.82/truck), and delivery time averages about 8 hours. The cost of production for Key Limes varies according to the cultural practices and technology used. In the most important Key Lime producing states (Oaxaca, Colima and Michoacan), production costs can vary from 7,000 pesos/Ha to 16,000 pesos/Ha (US\$608.69 to \$1,391.30./Ha) for the well-tended areas.

Persian and Key Lime yields differ widely depending on production conditions. The yields for Persian Limes in Veracruz mostly range from 8 to 16 MT/Ha, depending on cultural practices, but some yields are as high as 25 MT/Ha. Key Lime yields average between 7 to 12 MT/Ha, with a few well-tended groves reaching 30 MT/Ha. For Key Limes in Colima that are interplanted with coconut palm, yields are generally 50 percent less than in conventional groves.

Grower prices for Persian Limes range from \$400 to \$800 pesos/MT (US\$34.78 to \$69.56/MT) for the domestic market, and \$600 to \$3,000 pesos/MT (US\$52.17 to \$261.00/MT) for the export market during January to April. Grower prices for Key Limes fluctuate more than do those for Persian Limes, depending on the season and the producing state. On average, Key Lime grower prices range from \$800 to \$3,000 pesos /MT (US\$69.56 to \$260.86/MT). Michoacan production is geared toward the winter season (October/February), while production from Colima, Oaxaca and other states cover the rest of the year. There is, however, year-round production for both Key and Persian Limes.

CONSUMPTION

Domestic consumption of both Key and Persian Limes in Mexico depends largely on price. Total domestic lime consumption for MY 2004/05 is forecast at 1.12 MMT, a 3.4 percent decrease compared to MY 2003/04, due to expected higher prices. Consumption for MY 2002/03 and 2003/04 was revised downward due to a lower demand and fluctuating prices.

Persian Limes that do not meet the higher quality requirements demanded of the export market, will be consumed domestically. Most of the Key Limes go to the fresh domestic market, although exports have been increasing recently. In general, approximately 16 to 20 percent of total Key Lime production goes to processing. Producers from Colima and Michoacan indicate that approximately 30 percent of their limes go to processors. Official information on the processing industry, however, is unavailable. About 50 to 60 percent of Persian Limes from Veracruz go to the export market and the rest go to the fresh market and processing plants. This balance, however, depends on U.S. demand.

Mexican Key Limes and Persian Limes compete for the same market. When Key Limes and Persian Limes are both present in the domestic market, prices are relatively low. When Persian Lime harvest season is at the strongest (June to September), prices for both tend to drop. After two or three months, however, when Persian Lime growers begin to export, prices for Persian Limes increase and remain high until April or May when exports of Persian Lime decrease and both crops are again competing for the fresh domestic market. Key Limes from Michoacan, Colima and Oaxaca are sold on the wholesale market in 18-20/kg

boxes; those from Guerrero are sold in 20-22/kg bags. Persian Limes are sold in the wholesale market in 50-100/kg bags.

TRADE

Persian and Key Lime exports for MY 2004/05 are forecast at 330,000 MT, a 7-percent decrease compared to MY 2003/04, due to smaller production. Export estimates for MY 2003/04 were revised upward, due to greater international demand and good prices. Export estimates for MY 2002/03 remain unchanged. According to producers, Persian Limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding into new markets in Japan and Europe.

International prices for Persian Limes reach on average, US\$20 to US\$30 per 40-pound box. MY 2003/04 prices for Persian Limes at the international market were good, reaching a high of US\$58 per 40-pound box in February 2004 and decreasing to US\$30 per 40-pound box at the end of the season in October 2004.

Lime imports continue to be small due to ample domestic supplies. MY 2004/05 imports are forecast at 1,000 MT. Data for MY 2002/03 and 2003/04 remain unchanged. Mexico's tariff rate on imported limes from the United States is zero under NAFTA.

FRESH GRAPEFRUIT

PRODUCTION

Although there is no official forecast for grapefruit production for MY 2004/05, producers believe grapefruit production could reach 310,000 MT, due to higher yields. Weather has been relatively good in most areas, however, due to some warm weather and low rainfall during the months of August and September 2004, grapefruit from Veracruz is coming in late. Production estimates for MY 2003/04 were revised downward to 288,000 MT, due to a smaller-than-expected crop and the alternate bearing nature of the fruit. Weather for MY 2003/04 was especially good in Michoacan, which enjoys a micro-climate and is becoming a bigger citrus producer. Michoacan's orange groves are still relatively new, and are now just reaching their maximum-bearing potential. Grapefruit production estimates for MY 2002/03 were revised downward because production was affected by dry weather conditions in some areas of Nuevo Leon, Tamaulipas and Veracruz.

Area planted for MY 2004/05 is forecast at 18,400 hectares, an increase of two percent, due to increased planted area mainly in the state of Michoacan. Although the state of Veracruz, the state with the largest grapefruit production, increased area planted, this has been offset by abandoned areas in other parts of the state as well as other parts of the country. Costs of production, such as imported agrochemicals and fertilizers, will be higher for MY 2004/05, due to the increase in world oil prices. Area planted for MY 2002/03 was revised upward, due to a faster-than-expected growth rate, mainly in Michoacan where the new planted area is geared towards the European export market. MY 2003/04 area harvested was revised downward because not all the new area planted came into production.

There are two types of grapefruit planted in Mexico: the red table varieties produced in Tabasco, Campeche, Michoacan, Nuevo Leon and Veracruz, which are mainly for export to the United States and Europe as fresh fruit and peeled slices; and the white fleshed varieties produced in Tamaulipas and Veracruz which are mainly for juice production or for peeled slices. According to growers, planting of red varieties is increasing because of increased

export demand.

According to growers and the industry, about 16 to 18 percent of grapefruit production is destined for processing, but that will depend on demand for peeled fruit from the international market and demand of juice from the domestic market. The MY 2004/05 forecast for grapefruit destined for processing is 50,000 MT. However, this information is difficult to verify since it is not published by official sources and companies treat it as confidential information. Grapefruit for processing purposes for MY 2002/03 and 2003/04 were revised upward, due to more international market for peeled grapefruit.

Overall average yields for MY 2004/05 are forecast at 21 MT/Ha. Average yields for MY 2003/04 are estimated at 20 MT/Ha, however yields could be higher as weather conditions were not as dry as a year before. An overall normal yield for grapefruit is approximately 23 MT/Ha. Veracruz accounts for about 58 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 30 MT/Ha. Michoacan follows with 11 percent of production and yields between 9 to 15 MT/Ha. Nuevo Leon accounts for almost 9 percent of total production of grapefruit with yields of 16 to 21 MT/Ha. In other states, yields vary from 10 to 15 MT/Ha. Grower prices for MY 2004/05 in Veracruz for October 2004 were approximately \$800 to \$1,100 pesos/MT (US\$69.56 to \$95.65/MT) for the red varieties, but prices tend to drop by November. Average grower prices for Nuevo Leon began at 1,000 pesos/MT (US\$86.95/MT). Michoacan has developed areas with red varieties that can be harvested in June/July and grower prices tend to be higher than Veracruz grower prices because fruit gets to the market earlier in the season.

CONSUMPTION

Grapefruit fresh consumption for MY 2004/05 is forecast at 261,000 MT, an increase of 8 percent, due to consumer demand for low calorie foods. Consumption estimates for MY 2002/03 and 2003/04, however, were revised downward due to high prices compared to other citrus. Wholesale prices for October 2004 in Mexico City began at approximately \$2.60/kg (US\$0.22/kg) for the Veracruz crop, which was higher than last year's October price of \$2.30 pesos/kg (US\$0.20/kg). Growers indicate that there is no premium on quality, as consumers are more interested in lower prices. Since Michoacan can harvest earlier than Veracruz, Michoacan producers can often command higher prices in the domestic market. Michoacan wholesale prices for July/September ranged from \$2.85 pesos/kg to \$3.50/Kg (US\$0.24 to \$0.30/kg).

TRADE

Grapefruit exports for MY 2004/05 are forecast to reach 7,000 MT. According to growers, demand from the European market has been growing steadily. Although grapefruit exports are geared to the European and Japanese markets, exports are still small. Exports for MY 2002/03 and 2003/04 were revised upward, due to increased international demand mainly from European countries.

MY 2004/05 imports are forecast at 8,000 MT. Data for MY 2003/04 remains unchanged. The MY 2002/03 import estimate was revised upward to 12,000 MT, due to increased demand from the processing industry and low domestic production. Although U.S. grapefruit exports to Mexico are growing, exports to Mexico will still be relatively small. According to sources, most of the imported grapefruit from the United States is further processed for re-export to U.S. and European markets.

FROZEN CONCENTRATE ORANGE JUICE

PRODUCTION

Reliable frozen concentrate orange juice (FCOJ) production numbers are difficult to obtain, as there is no official statistical data available. Industry tends to keep partial information, most of which is proprietary. According to industry sources, FCOJ production for MY 2005 (January-December) is forecast at 40,000 MT, due to expected higher fresh orange production and lower orange prices available to the industry, and better international prices. However, juice production depends heavily on the international price of FCOJ that enables processors to increase the price paid to fruit producers. Although production for MY 2005 represents a sharp increase, Mexican FCOJ production before MY 2002 used to be between 30,000 and 40,000 MT, but large international inventories, small volumes of oranges available to the processing industry at high prices, and low FCOJ international prices, forced the Mexican industry to lower production of FCOJ in the last three years.

FCOJ future contracts for CY 2005 decreased from an initial high price of US\$0.90/lb, which resulted from speculations about damage to the Florida citrus crop, to a lower price of \$0.70/lb – a price low enough to potentially discourage large FCOJ production. The FCOJ production estimate for MY 2004 was revised downward, due to low international prices. FCOJ future contracts for CY 2004 were on average US\$0.68/lb. The production estimate for FCOJ for MY 2003 was also revised downward, due to low international prices and fewer fresh oranges available at good prices.

The industry is expecting to buy fruit for 2005 at lower prices than it did in MY 2004. The industry bought fruit for MY 2004 at an average of \$0.60 pesos/kg to \$1.00 peso/kg. Since the fresh market might receive lower prices due to larger supplies, the processing industry might end up paying lower prices for oranges for processing, which means more profit margins for the industry. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice. Due to financial problems of the processing industry, there has been a concentration in ownership. Of the 22 Mexican juice plants previously in operation, about 7 plants are currently running.

CONSUMPTION

MY 2005 FCOJ consumption is forecast at 4,800 MT, an increase of almost 8 percent compared to MY 2004, due to demand for orange juice in beverages and products with orange flavorings. The majority of Mexican consumers prefer fresh squeezed juice instead of processed orange juice. Consumption estimates for MY 2003 and 2004 were revised upward as demand for FCOJ has been increasing in hotel chains and restaurants and for orange-flavored products. Most of the orange juice produced in Mexico goes to the export market. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the other, however, due to the lower processing volume for MY 2003 and 2004, the carryover was reduced to approximately 1,000 MT.

TRADE

Exports of FCOJ for MY 2005 are forecast to reach approximately 33,365 MT assuming that international demand is good. Moreover, exports are forecast to be higher because of an expected greater availability of domestic oranges for processing at available prices. However, stocks of FCOJ in the United States are considered high and therefore demand for Mexican FCOJ could not be as strong as expected. Exports for MY 2003 and 2004 were

revised downward due to a low international price for FCOJ and a lower international demand. According to industry sources, the U.S. quota for Mexican FCOJ was not filled for MY 2003 and 2004. The United States is the main market for Mexican FCOJ, with Japan and European countries as potential markets for this product. Any FCOJ export growth will be limited by the needs of Florida's industry to mix its juice with the higher sugar-ratio and more deeply-colored Mexican juice. Also, export increases will depend on promotion in other markets besides the U.S.

FCOJ imports for MY 2005 are forecast to be similar to those of MY 2004 in order to cover industry needs. MY 2003 import data was revised downward, due to a decrease in demand to import for mixing purposes. According to the industry, most FCOJ imports are for mixing purposes and color.

Under NAFTA, Mexico has access to the U. S. market for 40 million gallons of FCOJ (single strength equivalent) at one-half of the Most Favored Nation (MFN) tariff rate. Any FCOJ imports above the quota will enter the United States at the MFN rate. This quota will be phased-out in 2008. Exporters of FCOJ need a certificate issued by the Mexican government to be able to export to the U.S. under the NAFTA provisions. The Mexican government allocates the quota amongst most of the producing companies to give them an equal opportunity to share the benefits of NAFTA. When a company cannot cover the designated quota, the Mexican government reallocates the uncovered share to other companies.

Under the free trade agreement between Mexico and the European Union (EU), the EU allows in 1,000 MT of fresh orange juice with a 50 percent tariff below the MFN duty. The EU also allows 30,000 MT of FCOJ under a quota with a tariff of 25 percent below the MFN duty. However, due to lower domestic production and lower international prices, Mexico has not been able to take advantage of these quotas from the EU.

Mexico will have more opportunities to expand its FCOJ exports to Japan under the new trade agreement signed on October 2004. Under this agreement, Mexico will be able to export a TRQ of 3,850 MT of FCOJ in 2005 at a 50-percent preferential duty, and up to 6,280 MT on 2009, when the agreement will be revised.